

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Athens	County Calhoun
Audit Date March 31, 2005	Opinion Date May 6, 2005	Date Accountant Report Submitted to State: August 23, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, PC			
Street Address 710 East Milham	City Kalamazoo	State MI	ZIP 49002
Accountant Signature 			

Township of Athens

Athens, Michigan

**Annual Financial Statements
and
Auditors' Report**

March 31, 2005

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Township of Athens
List of Elected and Appointed Officials
March 31, 2005

Township Board

Stephen Irons - Supervisor

Mike Irons - Treasurer

Debera Denney - Clerk

John Bates - Trustee

Steve Tuttle-Trustee



710 E. Milham
Kalamazoo, MI 49002
Phone (269) 329-7007 / (800) 375-3968
Fax (269) 329-0626

Independent Auditors' Report

Board of Trustees
Township of Athens
Athens, Michigan

We have audited the accompanying financial statements of the governmental activities, and each major fund, of the Township of Athens as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Township of Athens as of March 31, 2005 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Board of Trustees has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Athens' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

May 6, 2005
Kalamazoo, Michigan

Township of Athens
Management's Discussion and Analysis
March 31, 2005

This section of the Township of Athens' annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on March 31, 2005. Please read it in conjunction with the Township's financial statements, which follow this section.

First Year – Governmental Accounting Standards Board Statement No. 34

The Township of Athens is implementing the new Governmental Accounting Standards Board Statement No. 34 reporting requirement for the first time this year. Known as GASB 34, the new reporting requirement includes this letter, which should provide a comparative analysis between the current-year and prior-year financial information. However, as this is the first year the Township of Athens is implementing GASB 34, the prior-year financial information is not available in the GASB 34 format. The Governmental Accounting Standards Board has recognized this problem, and does not require the Township of Athens to restate prior-year financial information for the purposes of providing comparative data in the first year implementation. The Township of Athens will present a comparative analysis of government-wide data in future years when prior-year information is available. The following information presents a comparative analysis of key elements of the total governmental funds.

Financial Highlights

Our financial status has improved over the last year. Net assets as of March 31, 2005, totaled \$895,164 compared to net assets as of March 31, 2004, totaling \$704,287. This equals a \$190,877 increase in net assets during the 2005 fiscal year.

The Township's fund balance at the year end was \$325,483, which represents about 7 ¾ months of operating expenditures.

Overall revenues were \$480,752. This consisted of \$182,347 from property taxes, \$99,413 from state revenue sharing \$2,587 interest income, \$18,205 other revenue, and \$178,200 in federal grants (FEMA Grant for a new fire truck).

Overall expenditures were \$508,728. Within these expenditures was the purchase of a new fire truck in the amount of \$219,303. We received a \$178,200 FEMA Grant from the federal government toward the purchase of the truck. The additional \$41,103 due was paid from money in reserve ear marked for the fire truck and equipment purchases.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.

Township of Athens
Management's Discussion and Analysis
March 31, 2005

- The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Financial Analysis

Government-wide Statements - Changes in Net Assets

The Township's net assets are \$895,164. In comparison, last year's net assets were \$704,287, a decrease of \$190,877.

Current assets	\$ 930,275
Current and long-term liabilities	<u>35,111</u>
Total net assets	<u>\$ 895,164</u>

Revenue

Program revenues

Capital grants and contributions	\$ 178,200
----------------------------------	------------

General revenue

Property taxes	182,347
State-shared revenue	100,951
Unrestricted investment earnings	2,587
Miscellaneous	<u>18,205</u>
Total revenue	<u>482,290</u>

Program expenses

General government	146,926
Public safety	133,295
Public works	125
Community and economic development	4,202
Recreation and culture	2,772
Interest on long-term debt	<u>4,093</u>
Total program expenses	<u>291,413</u>

Change in net assets	<u>\$ 190,877</u>
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Township of Athens
Management's Discussion and Analysis
March 31, 2005

Fund Financial Statements – Changes in Fund Balance

Traditional users of governmental financial statements will find the Fund Financial Statement presentation more familiar. The Township's only governmental type fund is its General Fund. Functions relating to the general governmental activities, including operation of the Township's fire department, which are financed by property tax levies, by distribution of State revenues, and other miscellaneous revenues and grants, are recorded in the General Fund. The Township's ending fund balance as of March 31, 2005 was \$325,483, a decrease of \$27,976 over last year.

Other Information

During the year, in addition to the purchase of a new fire truck for \$219,303, the Township paid \$3,431 for new turnout gear for our fire department personnel. The Township paid \$1,637 for new carpeting for the township offices and \$1,545 for a new fire-proof safe for the township office.

The Township continues to repay the bank loan for the Township Offices and Fire Station. The principal balance as of March 31, 2005 was \$14,230. This loan is expected to be paid in full in October 2006. The Township is also repaying a lease agreement with Vision Bank for Scott air packs. The principal balance as of March 31, 2005 was \$19,780. This lease is expected to be paid in full in June 2007.

The Township did not incur any new debt in 2005.

Known Factors Affecting Future Operations

The Township is facing additional cuts in funding from the State of Michigan. We are also facing an increase in insurance for the township. These factors, as well as an increase in fuel and heating expenses, is making it more and more difficult to operate within our budget. However, we are not expecting to exceed our budget for the 2006 fiscal year.

Contacting Township Management

This financial report is to provide our taxpayers and the general public with an overview of the Township's financial status in addition to revenue and expenditures we incurred. If any questions arise regarding this report, please contact the Township Clerk or the Township Treasurer at 269-729-5305.

Township of Athens
Statement of Net Assets
March 31, 2005

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents	\$ 291,999
Receivables	
Taxes	21,124
Accrued interest and other	12,757
Due from other units of government	17,726
Capital assets, net	<u>586,669</u>
 Total assets	 <u>930,275</u>
Liabilities	
Accounts payable	2,058
Accrued and other liabilities	939
Noncurrent liabilities	
Due within one year	22,870
Due in more than one year	<u>9,244</u>
 Total liabilities	 <u>35,111</u>
Net Assets	
Invested in capital assets, net of related debt	554,555
 Unrestricted	 <u>340,609</u>
 Total net assets	 <u>\$ 895,164</u>

See Accompanying Notes to Financial Statements

Township of Athens
Statement of Activities
For the Year Ended March 31, 2005

		<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Primary Government</u>
	<u>Expenses</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Functions/Programs			
Primary government			
Governmental activities			
General government	\$ 146,926	\$ -	\$ (146,926)
Public safety	133,295	178,200	44,905
Public works	125	-	(125)
Community and economic development	4,202	-	(4,202)
Recreation and culture	2,772	-	(2,772)
Interest on long-term debt	4,093	-	(4,093)
Total governmental activities	<u>291,413</u>	<u>178,200</u>	<u>(113,213)</u>
Total primary government	<u>\$ 291,413</u>	<u>\$ 178,200</u>	<u>(113,213)</u>
General revenues			
Property taxes			182,347
State shared revenue			100,951
Unrestricted investment earnings			2,587
Miscellaneous			18,205
Total general revenues			<u>304,090</u>
Change in net assets			<u>190,877</u>
Net assets - beginning of year			<u>704,287</u>
Net assets - end of year			<u>\$ 895,164</u>

See Accompanying Notes to Financial Statements

Township of Athens
Governmental Funds
Balance Sheet
March 31, 2005

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 291,999
Receivables	
Taxes	21,124
Accrued interest and other	12,757
Due from other units of government	<u>17,726</u>
 Total assets	 <u><u>\$ 343,606</u></u>
 Liabilities	
Accounts payable	\$ 2,058
Accrued and other liabilities	939
Deferred revenue	<u>15,126</u>
 Total liabilities	 <u>18,123</u>
 Fund Balances	
Unreserved, reported in:	
General fund	<u>325,483</u>
 Total liabilities and fund balances	 <u><u>\$ 343,606</u></u>

Township of Athens
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2005

Total fund balances for governmental funds	\$ 325,483
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	586,669
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	15,126
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(32,114)</u>
Net assets of governmental activities	<u><u>\$ 895,164</u></u>

Township of Athens
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2005

	<u>General</u>
Revenues	
Taxes	\$ 182,347
Licenses and permits	36
Federal grants	178,200
State revenue sharing	99,413
Interest income	2,587
Other revenue	18,169
Total revenues	<u>480,752</u>
Expenditures	
Current	
General government	162,167
Public safety	113,509
Public works	125
Community and economic development	4,202
Recreation and culture	2,772
Capital outlay	221,860
Debt service	
Interest and fiscal charges	4,093
Total expenditures	<u>508,728</u>
Net change in fund balance	<u>(27,976)</u>
Fund balance - beginning of year	<u>353,459</u>
Fund balance - end of year	<u>\$ 325,483</u>

Township of Athens
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Net change in fund balances - Total governmental funds \$ (27,976)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(39,762)
Capital outlay	221,860

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

State shared revenue	1,538
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>35,217</u>
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Change in net assets of governmental activities	<u>\$ 190,877</u>
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Township of Athens
Fiduciary Funds
Statement of Net Assets
March 31, 2005

	Agency Funds
Assets	
Cash and cash equivalents	\$ 2,403
Total assets	\$ 2,403
Liabilities	
Due to other funds	2,256
Due to other units of government	147
Total liabilities	\$ 2,403

See Accompanying Notes to Financial Statements

Township of Athens
Notes to Financial Statements
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Township of Athens is governed by an elected five-member Board. The accompanying financial statements present the government.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Township of Athens
Notes to Financial Statements
March 31, 2005

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following:

Trust and Agency Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and payables – In general, outstanding balances

between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Summer property taxes are levied on each July 1st on the taxable valuation of property as of the preceding July 31st. Taxes are considered delinquent on October 1st, at which time penalties and interest are assessed. Winter property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2004 taxable valuation of the government totaled \$43,149,747, on which ad valorem taxes consisted of 8.899 mills for operating purposes. This resulted in \$38,399 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Ad valorem taxes also consisted of 2.813 mills for fire protection purposes. This resulted in \$121,374 for fire protection expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

The Township collects a property tax administration fee.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial

Township of Athens
Notes to Financial Statements
March 31, 2005

individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Vehicles	3 to 10 years
Equipment	5 to 7 years
Furniture and fixtures	5 to 7 years

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt

issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the Township's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal yearend.

Prior to December 1, the Township Supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to February 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township

Township of Athens
Notes to Financial Statements
March 31, 2005

Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Expenditure budget overruns

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Township Board	\$ 27,575	\$ 40,941	\$ 13,366
Clerk	25,660	29,412	3,752
Buildings and Grounds	29,360	36,843	7,483

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The governing body has designated two banks for the deposit of local unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in

bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

	<u>Cash and Cash Equivalents</u>
Governmental activities	\$ 291,999
Fiduciary funds	<u>2,403</u>
Total	<u>\$ 294,402</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank deposits (checking and savings accounts, certificates of deposit)	291,999	2,403

Deposits

The bank balance was \$ 311,797 at yearend. \$ 197,731 of this balance was covered by federal depository insurance and \$ 114,066 was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Township of Athens
Notes to Financial Statements
March 31, 2005

	<u>Unavailable</u>
Primary government	
State shared revenue	<u>\$ 15,126</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 12,250	\$ -	\$ -	\$ 12,250
Capital assets being depreciated				
Buildings, additions and improvements	381,197	-	-	381,197
Machinery and equipment	103,932	1,923	-	105,855
Vehicles	57,802	219,937	-	277,739
Total capital assets being depreciated	542,931	221,860	-	764,791
Less accumulated depreciation for				
Buildings, additions and improvements	55,161	7,697	-	62,858
Machinery and equipment	57,835	18,527	-	76,362
Vehicles	37,614	13,538	-	51,152
Total accumulated depreciation	150,610	39,762	-	190,372
Net capital assets being depreciated	392,321	182,098	-	574,419
Governmental activities capital assets, net	\$ 404,571	\$ 182,098	\$ -	\$ 586,669

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 12,160
Public safety	<u>27,602</u>
 Total primary government	 <u>\$ 39,762</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency	<u>\$ 2,256</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 7 - LEASES

Capital leases

The government has entered into a lease agreement as lessee for financing the purchase of sixteen cairn air packs. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payment as of the inception date. The future minimum lease obligations and the net present value are as follows:

Township of Athens
Notes to Financial Statements
March 31, 2005

Year ending March 31,

2006	\$ 9,890
2007	<u>9,890</u>
Total minimum lease payments	19,780
Less amount representing interest	<u>1,260</u>
Present value of minimum lease payments	<u>\$ 18,520</u>

Asset

Machinery and equipment	\$ 43,416
Less accumulated depreciation	<u>27,497</u>
Total	<u>\$ 15,919</u>

Township of Athens
Notes to Financial Statements
March 31, 2005

NOTE 8 - LONG-TERM DEBT

Installment purchase agreements are also general obligations of the government.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Installment purchase agreements									
1997 Building	\$ 200,050	2006	6.900%	\$14,230	\$ 40,144	\$ -	\$ 25,914	\$ 14,230	\$ 14,230
Capital leases	\$ 49,449	2007	6.991%	\$8,640 - \$9,244	25,959	-	8,075	17,884	8,640
Total governmental activities					\$ 66,103	\$ -	\$ 33,989	\$ 32,114	\$ 22,870

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2006	\$ 22,870	\$ 1,546
2007	9,244	646
	<u>\$ 32,114</u>	<u>\$ 2,192</u>

Township of Athens
Notes to Financial Statements
March 31, 2005

NOTE 9 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for workers' compensation, death and disability, liability, fire, fleet, and bonds. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 11 – ACCOUNTING AND REPORTING CHANGE

GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. The Township of Athens has applied the provisions of this statement and related GASB statements in the accompanying financial statements (including the notes to financial statements). The Township has elected to implement both the general provisions of the statement and the prospective reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities.
- Capital assets in the governmental activities column of the statement of net assets includes assets totaling approximately \$1,018,640 that would previously have been reported in the General Fixed Assets Account Group.
- Capital assets as of April 1, 2004 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$614,069 to reflect the historical cost and accumulated depreciation of the Township's capital assets at that date.
- The governmental activities column includes other long-term obligations totaling \$67,331 previously reported in the General Long-Term Debt Account Group.

Township of Athens
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 147,189	\$ 147,189	\$ 182,347	\$ 35,158
Licenses and permits	-	-	36	36
Federal grants	178,200	178,200	178,200	-
State revenue sharing	105,050	105,050	99,413	(5,637)
Interest income	500	500	2,587	2,087
Other revenue	11,675	11,675	18,169	6,494
Total revenues	<u>442,614</u>	<u>442,614</u>	<u>480,752</u>	<u>38,138</u>
Expenditures				
General government				
Township board	27,575	27,575	40,941	13,366
Supervisor	7,955	7,955	8,027	72
Clerk	25,660	25,660	29,412	3,752
Audit	100	100	269	169
Board of review	700	700	1,068	368
Treasurer	19,180	19,180	19,517	337
Assessor	14,975	14,975	15,043	68
Elections	3,795	3,795	4,310	515
Buildings and grounds	29,360	29,360	36,843	7,483
Cemetery	6,650	6,650	6,737	87
Total general government	<u>135,950</u>	<u>135,950</u>	<u>162,167</u>	<u>26,217</u>
Public safety				
Fire department	<u>118,114</u>	<u>118,114</u>	<u>113,509</u>	<u>(4,605)</u>

See Accompanying Notes to Financial Statements

Township of Athens
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Public works				
Highways, streets and bridges	-	-	125	125
Community and economic development				
Planning	1,950	1,950	4,202	2,252
Recreation and culture				
Library	3,300	3,300	2,772	(528)
Capital outlay	219,303	219,303	221,860	2,557
Debt service				
Interest and fiscal charges	3,500	3,500	4,093	593
Total expenditures	482,117	482,117	508,728	26,611
Excess (deficiency) of revenues over expenditures	(39,503)	(39,503)	(27,976)	11,527
Fund balance - beginning of year	353,459	353,459	353,459	-
Fund balance - end of year	\$ 313,956	\$ 313,956	\$ 325,483	\$ 11,527

Township of Athens
Other Supplemental Information
Schedule of Indebtedness
March 31, 2005

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Governmental Activities	6.90%	2006	\$ 14,230	\$ 296	\$ 14,526
1997 installment purchase agreement - building					
Date of agreement - February 1997					
Amount of note - \$ 200,050					
Monthly payments of \$2,333					
2003 lease purchase agreement - air packs	6.991%	2005	\$ 8,640	\$ 1,250	\$ 9,890
Date of agreement - July 2002	6.991%	2006	9,244	646	9,890
Amount of note - \$ 49,449					
Annual payments of \$9,890					
			<u>\$ 17,884</u>	<u>\$ 1,896</u>	<u>\$ 19,780</u>



710 E. Milham
Kalamazoo, MI 49002
Phone (269) 329-7007 / (800) 375-3968
Fax (269) 329-0626

May 6, 2005

Township of Athens
Mike Irons, Treasurer
P.O. Box 368
Athens, MI 49011

In planning and performing our audit of the financial statements of the Township of Athens for the year ended March 31, 2005, we considered the Township's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform an additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

PRIOR YEAR CONDITIONS AND CURRENT STATUS:

Security of Blank Checks

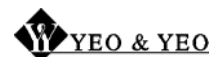
We discovered that blank checks are not kept in a locked cabinet when not in use. As a result, the checks may be susceptible to theft. We recommend that the unused checks be locked up at all times in the safe or another secure location. This will prevent the checks from being accessible to anyone without the combination or key.

Current Status:

Blank checks are now kept in a locked safe.

Receipt of Bank Statements

We noted that the bank statements for the cash accounts are sent directly to Mike Irons at the Township offices. Deb Denney gives them to Mike when she sorts the mail. Mike has the responsibility of reconciling the cash accounts. As he is the only person who reviews the bank statements and the reconciliations, there is no monitoring by the Board of the bank balances as compared to the general ledger balances. We recommend that the bank statement be sent to another member of the Board who does not have check signing authority. This will provide a level of review of the bank balances by a person independent of the reconciliation process.



Current Status:

Bank statements for the cash accounts are still sent directly to Mike Irons at the Township offices. However, every bank statement and related reconciliation is reviewed and approved by a trustee.

Budget Approval

We noted when reviewing the board minutes that when the budget is adopted, there is no reference to dollar amounts in the written minutes. This does not give us verification as to the exact budget that was adopted; the budget given to us could be different than the actual adopted budget. We recommend that at a minimum, the board minutes reference total revenues and total expenditures for the budgets adopted.

Current Status:

There is still no reference to dollar amounts in the written minutes.

Chart of Accounts

We noted during the audit that the Township's chart of accounts that is used for Quickbooks is very large. There are several repeated accounts and unused accounts. We recommend that the Township review and revise their Quickbooks chart of accounts within the next year, getting rid of unneeded accounts, etc. The Michigan Chart of Accounts should be used as a guide.

Current Status:

The chart of accounts has still not been "cleaned up". There are still many repeated accounts and unused accounts.

CURRENT YEAR CONDITIONS:

Approval of Check Registers by Two Trustees

We discovered that there were a few instances during the year when check registers were only approved and initialed by one trustee instead of two trustees. We recommend that the check register be signed by two trustees at all times as this is Township policy.

Formal Written Ethics Policy

We discovered that the Township does not have a formal written ethics policy. We recommend that the Township adopt a written ethics policy.

This report is intended solely for the use of the Township of Athens, Michigan.

Our firm appreciates the opportunity to serve the Township of Athens, and would like to thank the Village Clerk and staff for their cooperation and assistance.

Respectfully,

A handwritten signature in cursive script that reads "James D. Reinhart".

James D. Reinhart, CPA
Yeo & Yeo, P.C.